

ANNUAL STATEMENT

OF THE

Physicians Health Choice of Arkansas, Inc.

of Little Rock

in the state of Arkansas

TO THE

Insurance Department

OF THE

Arkansas

FOR THE YEAR ENDED

December 31, 2009

HEALTH

2009



13160200920100100

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2009
OF THE CONDITION AND AFFAIRS OF THE

Physicians Health Choice of AR, Inc

NAIC Group Code	4423	4423	NAIC Company Code	13160	Employer's ID Number	45-0571407
	(Current Period)	(Prior Period)				
Organized under the Laws of	Arkansas			State of Domicile or Port of Entry AR		
Country of Domicile	US					
Licensed as business type:	Life, Accident & Health [] Property/Casualty [] Hospital, Medical & Dental Service or Indemnity [] Dental Service Corporation [] Vision Service Corporation [] Health Maintenance Organization [X] Other [] Is HMO Federally Qualified? Yes [] No [X]					
Incorporated/Organized:	August 7, 2007			Commenced Business: May 30, 2008		
Statutory Home Office:	900 South Shackelford, Ste. 205			Little Rock, AR 72211		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office:	8637 Fredericksburg Rd Ste 360					
	(Street and Number)					
	San Antonio, TX 78240			866-550-4736		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address:	8637 Fredericksburg Rd Ste 360			San Antonio, TX 78240		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records:	8637 Fredericksburg Rd Ste 360			San Antonio, TX 78240 210-949-4153		
	(Street and Number)			(City or Town, State and Zip Code) (Area Code) (Telephone Number)		
Internet Website Address:	n/a					
Statutory Statement Contact:	Anita Green			210-949-4153		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	agreen@phyhc.com			210-694-4630		
	(E-Mail Address)			(Fax Number)		

OFFICERS

	Name	Title
1.	Daniel Joseph Comrie	President
2.	Bryan David Grundhoefer	Secretary
3.	Joseph Anthony Zimmerman	Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title

DIRECTORS OR TRUSTEES

Daniel Joseph Comrie	Bryan David Grundhoefer	Gary W. Piefer, MD	George M. Rapiere III, MD

State of Texas
County of Bexar ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Daniel Joseph Comrie	Bryan David Grundhoefer	Joseph Anthony Zimmerman
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	[X] Yes [] No
22 day of February, 2010	b. If no:	1. State the amendment number
		2. Date filed
		3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)				
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 2,159,257, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 0, Schedule DA)	2,159,257		2,159,257	4,278,227
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,159,257		2,159,257	4,278,227
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued				
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	47,816	47,816		
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	1,372,631		1,372,631	175,054
16.2 Net deferred tax asset	48,949	48,949		
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)	64,008	64,008		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	139,904	139,904		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,832,565	300,677	3,531,888	4,453,281
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	3,832,565	300,677	3,531,888	4,453,281

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Prepaid Insurance	131,598	131,598		
2302. Prepaid Other	7,843	7,843		
2303. Deposits	463	463		
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	139,904	139,904		

NONE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)				
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses				
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued		65,588	65,588	44,121
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates		392,143	392,143	274,270
16. Payable for securities				
17. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans				
21. Aggregate write-ins for other liabilities (including \$ 0 current)				
22. Total liabilities (Lines 1 to 21)		457,731	457,731	318,391
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X	1,000	1,000
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X	6,099,000	4,499,000
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X		
29. Unassigned funds (surplus)	X X X	X X X	(3,025,843)	(365,110)
30. Less treasury stock, at cost:				
30.1 0 shares common (value included in Line 24 \$ 0)	X X X	X X X		
30.2 0 shares preferred (value included in Line 25 \$ 0)	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	3,074,157	4,134,890
32. Total liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	3,531,888	4,453,281

DETAILS OF WRITE-IN LINES				
2101.	NONE			
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)				
2301.	NONE	X X X	X X X	
2302.		X X X	X X X	
2303.		X X X	X X X	
2398. Summary of remaining write-ins for Line 23 from overflow page		X X X	X X X	
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)		X X X	X X X	
2801.	NONE	X X X	X X X	
2802.		X X X	X X X	
2803.		X X X	X X X	
2898. Summary of remaining write-ins for Line 28 from overflow page		X X X	X X X	
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)		X X X	X X X	

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	4,089	
2. Net premium income (including \$ 0 non-health premium income)	X X X	3,509,165	
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Lines 2 to 7)	X X X	3,509,165	
Hospital and Medical:			
9. Hospital/medical benefits		3,001,495	
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical		600,000	
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		3,601,495	
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)		3,601,495	
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 0 cost containment expenses			
21. General administrative expenses		3,743,148	500,565
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		7,344,643	500,565
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(3,835,478)	(500,565)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		5,471	17,422
26. Net realized capital gains (losses) less capital gains tax of \$ 0			
27. Net investment gains (losses) (Lines 25 plus 26)		5,471	17,422
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ 0) (amount charged off \$ 0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(3,830,007)	(483,143)
31. Federal and foreign income taxes incurred	X X X	(1,409,677)	(168,206)
32. Net income (loss) (Lines 30 minus 31)	X X X	(2,420,330)	(314,937)

DETAILS OF WRITE-IN LINES			
0601.	NONE	X X X	
0602.		X X X	
0603.		X X X	
0698. Summary of remaining write-ins for Line 06 from overflow page		X X X	
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)		X X X	
0701.	NONE	X X X	
0702.		X X X	
0703.		X X X	
0798. Summary of remaining write-ins for Line 07 from overflow page		X X X	
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)		X X X	
1401. OTHER MEDICAL EXPENSE - IBNR		600,000	
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)		600,000	
2901.	NONE		
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	4,134,890	
34. Net income or (loss) from Line 32	(2,420,330)	(314,937)
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	2,226	14,702
39. Change in nonadmitted assets	(242,629)	(58,047)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		1,000
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in	1,600,000	4,499,000
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		(6,828)
48. Net change in capital and surplus (Lines 34 to 47)	(1,060,733)	4,134,890
49. Capital and surplus end of reporting period (Line 33 plus 48)	3,074,157	4,134,890

DETAILS OF WRITE-IN LINES		
4701. Aggregate losses in surplus from prior years		(6,828)
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)		(6,828)

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	3,461,349	
2. Net investment income	5,471	17,422
3. Miscellaneous income		
4. Total (Lines 1 through 3)	3,466,820	17,422
5. Benefit and loss related payments	3,601,495	
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	3,705,284	455,445
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		(173,231)
10. Total (Lines 5 through 9)	7,306,779	282,214
11. Net cash from operations (Line 4 minus Line 10)	(3,839,959)	(264,792)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)		
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)		
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)		
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	1,600,000	4,499,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	120,989	44,019
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	1,720,989	4,543,019
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(2,118,970)	4,278,227
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	4,278,227	
19.2 End of year (Line 18 plus Line 19.1)	2,159,257	4,278,227

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	3,509,165						3,509,165			
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$ 0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7. Total revenues (Lines 1 to 6)	3,509,165						3,509,165			
8. Hospital/medical benefits	3,001,495						3,001,495			X X X
9. Other professional services										X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area										X X X
12. Prescription drugs										X X X
13. Aggregate write-ins for other hospital and medical	600,000						600,000			X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	3,601,495						3,601,495			X X X
16. Net reinsurance recoveries										X X X
17. Total hospital and medical (Lines 15 minus 16)	3,601,495						3,601,495			X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$ 0 cost containment expenses										
20. General administrative expenses	3,743,148						3,743,148			
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. Total underwriting deductions (Lines 17 to 22)	7,344,643						7,344,643			
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(3,835,478)						(3,835,478)			

DETAILS OF WRITE-IN LINES										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 05 from overflow page										X X X
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)										X X X
0601.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 06 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301. OTHER MEDICAL EXPENSE - IBNR	600,000						600,000			X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	600,000						600,000			X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 – PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only				
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII – Medicare	3,509,165			3,509,165
7. Title XIX – Medicaid				
8. Other health				
9. Health subtotal (Lines 1 through 8)	3,509,165			3,509,165
10. Life				
11. Property/casualty				
12. Totals (Lines 9 to 11)	3,509,165			3,509,165

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	3,601,495						3,601,495			
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	3,601,495						3,601,495			
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct										
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net										
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	3,601,495						3,601,495			
12.2 Reinsurance assumed										
12.3 Reinsurance ceded										
12.4 Net	3,601,495						3,601,495			
13. Incurred medical incentive pools and bonuses										

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(a) Excludes \$ 0 loans or advances to providers not yet expensed.

NONE Underwriting and Investment Exhibit - Part 2A

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B – ANALYSIS OF CLAIMS UNPAID – PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII – Medicare		3,601,495				
7. Title XIX – Medicaid						
8. Other health						
9. Health subtotal (Lines 1 through 8)		3,601,495				
10. Health care receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9 - 10 + 11 + 12)		3,601,495				

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(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Hospital & Medical

Section A – Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior						
2. 2005						
3. 2006						
4. 2007						
5. 2008						
6. 2009						

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006					
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Medicare Supplement

Section A – Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior						
2. 2005						
3. 2006						
4. 2007						
5. 2008						
6. 2009						

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006					
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
 Dental Only

Section A – Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior						
2. 2005						
3. 2006						
4. 2007						
5. 2008						
6. 2009						

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
 Vision Only

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		
6. 2009	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX				
5. 2008	XXX	XXX			
6. 2009	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Federal Employee Health Benefits Plan

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		
6. 2009	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006					
4. 2007					
5. 2008					
6. 2009					

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Title XVIII - Medicare

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	3,601

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	3,601

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2005										
2. 2006										
3. 2007										
4. 2008										
5. 2009	3,509	3,601			3,601	102.622			3,601	102.622

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Title XIX - Medicaid

Section A – Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior						
2. 2005						
3. 2006						
4. 2007						
5. 2008						
6. 2009						

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006					
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Other

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		
6. 2009	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Grand Total

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	3,601

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	3,601

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2005										
2. 2006										
3. 2007										
4. 2008										
5. 2009	3,509	3,601			3,601	102.622			3,601	102.622

NONE Underwriting and Investment Exhibit - Part 2D

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 – ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ 0 for occupancy of own building)			94,116		94,116
2. Salaries, wages and other benefits			560,561		560,561
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)			84,274		84,274
4. Legal fees and expenses					
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services			55,080		55,080
7. Traveling expenses			36,692		36,692
8. Marketing and advertising			617,007		617,007
9. Postage, express and telephone			69,397		69,397
10. Printing and office supplies			14,117		14,117
11. Occupancy, depreciation and amortization			20,384		20,384
12. Equipment			24,697		24,697
13. Cost or depreciation of EDP equipment and software					
14. Outsourced services including EDP, claims, and other services			324		324
15. Boards, bureaus and association fees					
16. Insurance, except on real estate			2,715		2,715
17. Collection and bank service charges			2,975		2,975
18. Group service and administration fees					
19. Reimbursements by uninsured plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes			1,100		1,100
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			4,815		4,815
23.2 State premium taxes					
23.3 Regulatory authority licenses and fees			2,408		2,408
23.4 Payroll taxes			40,089		40,089
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses			2,112,397		2,112,397
26. Total expenses incurred (Lines 1 to 25)			3,743,148		(a) 3,743,148
27. Less expenses unpaid December 31, current year			65,588		65,588
28. Add expenses unpaid December 31, prior year			44,121		44,121
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)			3,721,681		3,721,681

DETAILS OF WRITE-IN LINES					
2501. MGMT FEE CLASS A			728,544		728,544
2502. MANAGEMENT FEES - PHC			1,342,882		1,342,882
2503. FEES/DUES/MEMBERSHIPS			4,841		4,841
2598. Summary of remaining write-ins for Line 25 from overflow page			36,130		36,130
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)			2,112,397		2,112,397

(a) Includes management fees of \$ 0 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected	Earned
	During Year	During Year
1. U.S. Government bonds	(a)	
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e)5,471	5,471
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	5,471	5,471
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		
17. Net investment income (Line 10 minus Line 16)		5,471

DETAILS OF WRITE-IN LINES		
0901.	NONE	
0902.		
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)		
1501.	NONE	
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

- (a)

Includes \$

0

accrual of discount less \$

0

amortization of premium and less \$

0

paid for accrued interest on purchases.
- (b)

Includes \$

0

accrual of discount less \$

0

amortization of premium and less \$

0

paid for accrued dividends on purchases.
- (c)

Includes \$

0

accrual of discount less \$

0

amortization of premium and less \$

0

paid for accrued interest on purchases.
- (d)

Includes \$

0

for company's occupancy of its own buildings; and excludes \$

0

interest on encumbrances.
- (e)

Includes \$

0

accrual of discount less \$

0

amortization of premium and less \$

0

paid for accrued interest on purchases.
- (f)

Includes \$

0

accrual of discount less \$

0

amortization of premium.
- (g)

Includes \$

0

investment expenses and \$

0

investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h)

Includes \$

0

interest on surplus notes and \$

0

interest on capital notes.
- (i)

Includes \$

0

depreciation on real estate and \$

0

depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized	Other	Total Realized	Change in Unrealized	Change in Unrealized
	Gain (Loss)	Realized	Capital Gain (Loss)	Capital Gain (Loss)	Foreign Exchange
	on Sales or	Adjustments	(Columns 1 + 2)		Capital Gain (Loss)
	Maturity				
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)					

DETAILS OF WRITE-IN LINES					
0901.	NONE				
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	47,816		(47,816)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	48,949	9,677	(39,272)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	64,008	24,525	(39,483)
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	139,904	23,845	(116,059)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	300,677	58,047	(242,630)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	300,677	58,047	(242,630)

DETAILS OF WRITE-IN LINES			
0901.	NONE		
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Prepaid other	131,598	13,300	(118,298)
2302. Deposits	7,843	10,143	2,300
2303. Prepaid insurance	463	402	(61)
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	139,904	23,845	(116,059)

EXHIBIT 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations		277	347	378	469	4,089
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. Total		277	347	378	469	4,089

DETAILS OF WRITE-IN LINES						
0601.		NONE				
0602.						
0603.						
0698. Summary of remaining write-ins for Line 06 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)						

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Physicians Health Choice of Arkansas, Inc are presented on the basis of accounting practices prescribed or permitted by the Arkansas Department of Insurance.

The Arkansas Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Arkansas for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Arkansas Insurance Code. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Arkansas. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. As of December 31, 2009, the Company did not have any balances or transactions that were affected by these differences. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The company uses the following policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Not applicable
- (3) Common stock is stated at par.
- (4) Not applicable
- (5) Not applicable
- (6) Not applicable
- (7) Not applicable
- (8) Not applicable
- (9) Not applicable
- (10) Not applicable
- (11) Not applicable

- 2. Accounting changes and Corrections of Errors – During the current year's financial statement preparation, the Company discovered an error in the reporting of amounts due from parents that arise under tax allocation agreements in prior year. In the prior year, amounts due from parents arising under tax allocation agreement was reported as a receivable from parent, subsidiaries and affiliates on Assets page Line 21. This item was reclassified to "Current federal and foreign income tax recoverable" Assets page Line 16.1, with no effect on the HMO's surplus.
- 3. Business Combinations and Goodwill – Not applicable
- 4. Discontinued Operations – Not applicable
- 5. Investments – Not applicable
- 6. Joint Ventures, Partnerships and Limited Liability Companies – Not applicable
- 7. Investment Income – Not applicable
- 8. Derivative Instruments – Not applicable

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

	<u>12/31/2009</u>	<u>12/31/2009</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>	<u>Total</u>
Gross deferred tax asset	\$ 48,949	\$ -	\$ 48,949	\$ 11,903
Adjusted gross deferred tax asset	48,949	-	48,949	11,903
Deferred tax liability	-	-	-	-
Net deferred tax asset (liability)	48,949	-	48,949	11,903
Nonadmitted deferred tax asset	48,949	-	48,949	11,903
Net deferred tax asset admitted	\$ -	\$ -	\$ -	\$ -
Increase (decrease) in deferred tax asset non-admitted			\$ 37,046	11,903

The Company has not elected to admit deferred tax assets pursuant to paragraph e of SSAP10R. The financial statements for December 31, 2009 reflect the first time SSAP 10R has been utilized.

The Company's admitted adjusted gross deferred tax assets under both SSAP 10 and SSAP 10R are as follows:

	<u>SSAP 10</u>	<u>SSAP 10R</u>	<u>Difference</u>
Ordinary	0	0	0
Capital	0	0	0
Total	0	0	0

The admitted deferred tax asset is comprised of the following:

<u>SSAP 10</u>	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Federal tax paid in carryback years	0	0	0
Lesser of:			
Deferred taxes expected to be realized within 1 year	0	0	0
or			
10% of statutory capital of previously filed statement	N/A	N/A	
Amount of gross DTA's that can be offset against DTL's	0	0	0
Admitted deferred tax asset - SSAP 10	0	0	0
<u>SSAP 10R</u>	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Federal tax paid in carryback years	0	0	0
Lesser of:			
Deferred taxes expected to be realized within 1 year	0	0	0
or			
10% of statutory capital of previously filed statement	N/A	N/A	
Amount of gross DTA's that can be offset against DTL's	0	0	0
Admitted deferred tax asset - SSAP 10R	0	0	0

B. Deferred tax liabilities are not recognized for the following amounts:
Not applicable

C. Current income taxes incurred consist of the following major components:

<u>Description</u>	<u>2009</u>	<u>2008</u>
Federal	(1,368,806)	-
Realized capital gains tax	-	-
Current income taxes incurred (benefit)	(1,368,806)	-

NOTES TO FINANCIAL STATEMENTS

The major components in the 2009 deferred tax amounts are as follows:

Deferred tax assets:	<u>Difference</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Organizational Cost	\$	\$	\$
	(122)	1,532	1,654
Fixed Assets	\$	\$	\$
	6,502	11,206	4,704
Prepaid Expenses	\$	\$	\$
	-	-	-
Uncollected Premiums	\$	\$	\$
	16,736	16,736	-
CIP	\$	\$	\$
	-	-	-
Deposit - Office Lease	\$	\$	\$
	(805)	2,745	3,550
Accrued Vacation	\$	\$	\$
	2,140	4,135	1,995
Bonus Accrual	\$	\$	\$
	12,595	12,595	-
Total deferred tax assets		\$	\$
		48,949	11,903
Deferred tax assets nonadmitted		\$	\$
		48,949	11,903
Admitted deferred tax assets		\$	\$
		(0)	-
Deferred tax liabilities:			
None	\$	\$	\$
	-	-	-
Total deferred tax liabilities	\$	\$	\$
	-	-	-
Net admitted deferred tax assets		\$	\$
		(0)	-

The change in net deferred income taxes is comprised of the following:

	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>Change</u>
Total gross deferred tax assets	\$	\$	\$
	48,949	11,903	37,046
Total gross deferred tax liabilities	\$	\$	\$
	-	-	-
Net deferred tax asset	\$	\$	\$
	48,949	11,903	37,046
Deferred tax on change in net unrealized capital gains			-
Change in net deferred income tax			<u>37,046</u>

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The significant items causing a difference between the statutory federal income tax rate and the Company's effective income tax rate are as follows:

	<u>2009</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$	35.00%
	(1,339,275)	
Meals & Entertainment	\$	-0.13%
	4,961	
Business Gifts	\$	-0.01%
	260	
State Income Tax, Net of Federal Benefit	\$	-0.06%
	2,486	
Change in Non-Admitted Assets	\$	1.86%
	(71,175)	
Prior year true ups	\$	0.08%
	(3,107)	
Totals	\$	36.74%
	(1,405,851)	
Federal and foreign income taxes incurred	\$	35.77%
	(1,368,806)	
Change in net deferred income taxes		0.97%
	(37,046)	
Total statutory income taxes		<u>36.74%</u>

NOTES TO FINANCIAL STATEMENTS

(1,405,851)

- E. (1) The Company does not have any net operating loss or capital loss carryforwards.
- (2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
2009	\$	\$	\$
	-	-	-
2008	\$	\$	\$
	-	-	-
2007	NA	\$	\$
		-	-

- (3) None
- F. (1) The Company's federal income tax return is consolidated with the following entities:

WellMed Medical Management, Inc.
WellMed Medical Management of Florida, Inc.
PHC Subsidiary Holdings, LLC
Physicians Health Choice of Florida, LLC
Physicians Health Choice of New Mexico, LLC
Physicians Health Choice of Texas, LLC
R&H Family Fitness Unlimited, LLC
Medical Preparatory School of Allied Health, LLC

- (2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled annually within 60 days of the date the return is filed.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. Not applicable
- B. Not applicable
- C. Not applicable
- D. At December 31, 2009 the Company reported the following amounts due to:
WellMed of Arkansas - \$45,926 - attributable to operating expenses.
Physicians Health Choice of Texas, LLC - \$103,593 - attributable to operating expenses
PHC Subsidiary Holdings, LLC - \$172,615 - attributable to operating expenses
Wellmed Medical Management, Inc. - \$70,010 - attributable to operating expenses
- E. Not Applicable
- F. Parent entity is PHC Subsidiary Holdings, LLC
- G. Not applicable
- H. Not applicable
- I. Not applicable
- J. Not applicable
- K. Not applicable
- L. Not applicable

11. Debt – Not applicable

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans – Not applicable

NOTES TO FINANCIAL STATEMENTS

13. Capital and Surplus, Shareholder’s Dividend Restrictions and Quasi-Reorganizations

- (1) The Company is a For Profit Corporation and has issued common stock at par value of \$1,000
- (2) The Company has no preferred stock.
- (3) Under the laws of the State of Arkansas, dividends may be declared by HMO at any time from any and all admitted assets in excess of all liabilities, as long as the HMO meets its required deposit and net worth requirements. Dividends are not cumulative.
- (4) As of December 31,2009, the Company has never declared or paid a dividend.
- (5) Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends/distributions.
- (6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- (7) Not applicable
- (8) Not applicable
- (9) Not applicable
- (10) Not applicable
- (11) Not applicable
- (12) Not applicable
- (13) Not applicable

14. Contingencies – Not applicable

15. Leases

A. Lessee Operating Lease

(1) The Company subleases office space in Little Rock, Arkansas under an operating lease expiring December 31, 2010. Rental expense totaled \$ 94,116 for the year ended December 31, 2009.

(2) At January 1, 2010, future minimum lease payments are as follows: (Dollars in thousands)

Year ending December 31,	
2010	\$ 97
2011	\$ 100

(3) Not applicable

B. Lessor Leases – Not applicable

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk – Not applicable

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – Not applicable.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans – Not applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – Not applicable

20. Other Items

- A. Not applicable
- B. Not applicable
- C. Not applicable
- D. Not applicable
- E. Not applicable

NOTES TO FINANCIAL STATEMENTS

F. Not applicable

G. Not applicable

- 21. **Events Subsequent** – Not applicable
- 22. **Reinsurance** – Not applicable
- 23. **Retrospectively Rated Contracts & Contracts Subject to Redetermination** – Not applicable
- 24. **Change in Incurred Claims and Claim Adjustment Expenses** – Not applicable
- 25. **Intercompany Pooling Arrangements** – Not applicable
- 26. **Structured Settlements** – Not applicable
- 27. **Health Care Receivables** – Not applicable
- 28. **Participating Policies** – Not applicable
- 29. **Premium Deficiency Reserves** – Not applicable
- 30. **Anticipated Salvage and Subrogation** – Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [] No [X]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [] No [] N/A [X]

1.3 State Regulating?

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

3.4 By what department or departments?

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [] No [] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes [] No [] N/A [X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [] No [X]

4.12 renewals?

Yes [] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [] No [X]

4.22 renewals?

Yes [] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....		
.....		
.....		

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]

GENERAL INTERROGATORIES

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. _____

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1	2
Nationality	Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Padgett Stratemann Co. LLP, 100 NE Loop 410 Suite 1100 San Antonio Texas 78216

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Milliman Inc, 1301 Fifth Avenue Suite 3800 Seattle WA 98101

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

11.11 Name of real estate holding company _____

11.12 Number of parcels involved _____

11.13 Total book/adjusted carrying value \$ _____

11.2 If yes, provide explanation:

GENERAL INTERROGATORIES

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [☐] No [☒ X]

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes [☐] No [☒ X]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [☐] No [☒ X] N/A [☐]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes [☒ X] No [☐]

13.11 If the response to 13.1 is no, please explain:

13.2 Has the code of ethics for senior managers been amended?

Yes [☐] No [☒ X]

13.21 If the response to 13.2 is yes, provide information related to amendment(s).

13.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [☐] No [☒ X]

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [☒ X] No [☐]

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [☒ X] No [☐]

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes [☒ X] No [☐]

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [☐] No [☒ X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers	\$	
18.12 To stockholders not officers	\$	
18.13 Trustees, supreme or grand (Fraternal only)	\$	

GENERAL INTERROGATORIES

18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers\$

18.22 To stockholders not officers\$

18.23 Trustees, supreme or grand (Fraternal only)\$

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes ☐ No ☒

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others\$

19.22 Borrowed from others\$

19.23 Leased from others\$

19.24 Other\$

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes ☐ No ☒

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment\$

20.22 Amount paid as expenses\$

20.23 Other amounts paid\$

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ☐ No ☒

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:\$

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes ☒ No ☐

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes ☐ No ☐ N/A ☒

22.5 If answer to 22.4 is yes, report amount of collateral.\$

22.6 If answer to 22.4 is no, report amount of collateral.\$

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.)

Yes ☐ No ☒

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements\$

23.22 Subject to reverse repurchase agreements\$

23.23 Subject to dollar repurchase agreements\$

23.24 Subject to reverse dollar repurchase agreements\$

23.25 Pledged as collateral\$

23.26 Placed under option agreements\$

23.27 Letter stock or securities restricted as to sale\$

23.28 On deposit with state or other regulatory body\$

23.29 Other\$

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ☐ No ☒

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐ N/A ☒
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes ☐ No ☒

25.2 If yes, state the amount thereof at December 31 of the current year. \$ _____

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes ☐ No ☒

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes ☐ No ☒

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

26.05 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name(s)	3 Address

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes ☐ No ☒

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
27.2999 TOTAL		

27.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds			
28.2 Preferred stocks			
28.3 Totals			

28.4 Describe the sources or methods utilized in determining the fair values:

Not applicable as this company does not have these investments

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No [X]

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [] No [X]

30.2 If no, list exceptions: Not applicable

OTHER

31.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$

GENERAL INTERROGATORIES

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid

32.1 Amount of payments for legal expenses, if any? \$

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes ☐ No ☒

1.2 If yes, indicate premium earned on U.S. business only.

\$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

0

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	\$ 3,509,165	\$ 0
2.2 Premium Denominator	\$ 3,509,165	\$ 0
2.3 Premium Ratio (2.1 / 2.2)	1.000	0.000
2.4 Reserve Numerator	\$ 0	\$ 0
2.5 Reserve Denominator	\$ 0	\$ 0
2.6 Reserve Ratio (2.4 / 2.5)	0.000	0.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes ☐ No ☒

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes ☐ No ☒

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes ☐ No ☒

5.1 Does the reporting entity have stop-loss reinsurance?

Yes ☐ No ☒

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$ 0

5.32 Medical Only

\$ 0

5.33 Medicare Supplement

\$ 0

5.34 Dental and vision

\$ 0

5.35 Other Limited Benefit Plan

\$ 0

5.36 Other

\$ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
PHC of Arkansas has fully capitated contracts with provider network who assumes all risk. No claims are paid out of PHC of AR office.

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [] No [X]

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

8.2 Number of providers at end of reporting year

0

0

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

0

0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses

10.22 Amount actually paid for year bonuses

10.23 Maximum amount payable withholds

10.24 Amount actually paid for year withholds

\$ 0

\$ 0

\$ 0

\$ 0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

11.13 An Individual Practice Association (IPA), or,

11.14 A Mixed Model (combination of above)?

Yes [] No [X]

Yes [X] No []

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [] No [X]

11.3 If yes, show the name of the state requiring such net worth.

11.4 If yes, show the amount required.

\$ 0

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1		
Name of Service Area		
Faulkner County	Washington County	Madison County
Grant County	Conway County	Prairie County
Pulaski County	Jefferson County	Lonoke County
Carroll County	Saline County	White County
Benton County		

13.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$ 0

13.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$ 0

FIVE – YEAR HISTORICAL DATA

	1	2	3	4	5
	2009	2008	2007	2006	2005
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	3,531,888	4,453,281	0	0	0
2. Total liabilities (Page 3, Line 22)	457,731	318,391	0	0	0
3. Statutory surplus	0	0	0	0	0
4. Total capital and surplus (Page 3, Line 31)	3,074,157	4,134,890	0	0	0
Income Statement (Page 4)					
5. Total revenues (Line 8)	3,509,165	0	0	0	0
6. Total medical and hospital expenses (Line 18)	3,601,495	0	0	0	0
7. Claims adjustment expenses (Line 20)	0	0	0	0	0
8. Total administrative expenses (Line 21)	3,743,148	500,565	0	0	0
9. Net underwriting gain (loss) (Line 24)	(3,835,478)	(500,565)	0	0	0
10. Net investment gain (loss) (Line 27)	5,471	17,422	0	0	0
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income or (loss) (Line 32)	(2,420,330)	(314,937)	0	0	0
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(3,839,959)	(264,792)	0	0	0
Risk-Based Capital Analysis					
14. Total adjusted capital	3,074,157	4,134,890	0	0	0
15. Authorized control level risk-based capital	903,594	7,768	0	0	0
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	469	0	0	0	0
17. Total members months (Column 6, Line 7)	4,089	0	0	0	0
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	102.6	0.0	0.0	0.0	0.0
20. Cost containment expenses	0.0	0.0	0.0	0.0	0.0
21. Other claims adjustment expenses	0.0	0.0	0.0	0.0	0.0
22. Total underwriting deductions (Line 23)	209.3	0.0	0.0	0.0	0.0
23. Total underwriting gain (loss) (Line 24)	(109.3)	0.0	0.0	0.0	0.0
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	0	0	0	0	0
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	0	0	0	0	0
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31	0	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No [X]

If no, please explain:

Not applicable

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

States, Etc.		1	Direct Business Only							
			2	3	4	5	6	7	8	9
		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N								
2. Alaska	AK	N								
3. Arizona	AZ	N								
4. Arkansas	AR	L		3,509,165					3,509,165	
5. California	CA	N								
6. Colorado	CO	N								
7. Connecticut	CT	N								
8. Delaware	DE	N								
9. District of Columbia	DC	N								
10. Florida	FL	N								
11. Georgia	GA	N								
12. Hawaii	HI	N								
13. Idaho	ID	N								
14. Illinois	IL	N								
15. Indiana	IN	N								
16. Iowa	IA	N								
17. Kansas	KS	N								
18. Kentucky	KY	N								
19. Louisiana	LA	N								
20. Maine	ME	N								
21. Maryland	MD	N								
22. Massachusetts	MA	N								
23. Michigan	MI	N								
24. Minnesota	MN	N								
25. Mississippi	MS	N								
26. Missouri	MO	N								
27. Montana	MT	N								
28. Nebraska	NE	N								
29. Nevada	NV	N								
30. New Hampshire	NH	N								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N								
34. North Carolina	NC	N								
35. North Dakota	ND	N								
36. Ohio	OH	N								
37. Oklahoma	OK	N								
38. Oregon	OR	N								
39. Pennsylvania	PA	N								
40. Rhode Island	RI	N								
41. South Carolina	SC	N								
42. South Dakota	SD	N								
43. Tennessee	TN	N								
44. Texas	TX	N								
45. Utah	UT	N								
46. Vermont	VT	N								
47. Virginia	VA	N								
48. Washington	WA	N								
49. West Virginia	WV	N								
50. Wisconsin	WI	N								
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate other alien	OT	X X X								
59. Subtotal		X X X		3,509,165					3,509,165	
60. Reporting entity contributions for Employee Benefit Plans		X X X								
61. Totals (Direct Business)		(a) 1		3,509,165					3,509,165	

DETAILS OF WRITE-INS									
5801.		X X X							
5802.		X X X							
5803.		X X X							
5898. Summary of remaining write-ins for Line 58 from overflow page		X X X							
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		X X X							

NONE

Explanation of basis of allocation by states, premiums by state, etc.									
Physicians Health Choice of Arkansas, Inc does business only in the state of Arkansas.									

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

NAIC Group Code	Group Name	NAIC Company Code	State of Domicile	Federal ID Number	Company Name
0		0	TX	74-2786364	WellMed Medical Management, Inc
0		0	TX	35-2288416	PHC Subsidiary Holdings LLC
4423	WellMed Medical PHC Holding Group	11494	TX	04-3677255	Physicians Health Choice of Texas, LLC
4423	WellMed Medical PHC Holding Group	12977	NM	32-0191973	Physicians Health Choice of New Mexico, Inc
4423	WellMed Medical PHC Holding Group	13159	FL	33-1195830	Physicians Health Choice of Florida, Inc
4423	WellMed Medical PHC Holding Group	13160	AR	45-0571407	Physicians Health Choice of Arkansas, Inc

OVERFLOW PAGE FOR WRITE-INS

Page 14 - Continuation

	Claim Adjustment Expenses		3	4	5
	1	2			
WRITE-INS AGGREGATED AT LINE FOR UNDERWRITING AND INVESTMENT EXHIBIT	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
2504. CONTRIBUTIONS			5,290		5,290
2505. MEDICAL SUPPLIES			893		893
2506. BUSINESS GIFTS			525		525
2507. BUSINESS GIFTS - NON DEDUCTIBL			293		293
2508. NON-MEDICAL OUTSIDE SERVICES			602		602
2509. STORAGE FEES			95		95
2510. UNIFORMS			681		681
2511. MEALS			27,751		27,751
2597. Totals (Lines 2501 through 2596) (Page 14, Line 2598)			36,130		36,130

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Cash Flow	6	Schedule DB – Part A – Section 3	E19
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Exhibit 2 – Accident and Health Premiums Due and Unpaid	18	Schedule DB – Part B – Section 1	E19
Exhibit 3 – Health Care Receivables	19	Schedule DB – Part B – Section 2	E20
Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus	20	Schedule DB – Part B – Section 3	E20
Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates	21	Schedule DB – Part B – Verification Between Years	SI12
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Schedule A – Part 3	E03	Schedule E – Verification Between Years	SI16
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